



UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

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NATIONAL SECURITY AND  
INTERNATIONAL AFFAIRS DIVISION

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RELEASED

MAY 1 1984

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The Honorable Toby Roth  
Ranking Minority Member, Subcommittee on  
International Economic Policy and Trade  
Committee on Foreign Affairs  
House of Representatives



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Dear Mr. Roth:

Subject: Licensing Data for Exports to Non-Communist  
Countries (GAO/NSIAD-84-105)

Your letter of April 18, 1984, asked us to update certain export licensing data contained in our May 26, 1982 report, "Export Control Regulation Could Be Reduced Without Affecting National Security." Specifically, you asked us to estimate the number of non-Communist country license applications that would be eliminated by adopting our recommendation to

--Eliminate licensing requirements to non-Communist countries for low-technology products falling below the Communist country threshold level.

To respond to your request, we asked the Office of Export Administration (OEA) of the Department of Commerce to take a random sample of all license applications received during the 2-week period April 16 to April 27, 1984, and to analyze all applications for the export of products to non-Communist countries to determine those which involved low-technology products falling below the Communist country threshold level (the level, varying according to product category, below which exports to Communist countries do not require prior approval by COCOM<sup>1</sup>). OEA received 6,014 applications, including resubmissions, during this 2-week period. The Director of Operations of OEA told us

<sup>1</sup>COCOM (Coordinating Committee for Multilateral Export Controls) is the 15-member organization of Western nations that constitutes the multilateral strategic control system for trade with Communist countries.

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that he believed that these applications would be representative of the applications OEA expects to receive during the current fiscal year. Our random sample consisted of 231 applications. Details as to the makeup of the random sample are shown in the enclosure.

To the extent that the applications received during the 2-week period of the sample are representative of all applications received by OEA, we estimated, at the 95 percent confidence level, that the number of applications processed by OEA would be reduced by 26 to 38 percent by eliminating the licensing requirements for the export to non-Communist countries of products falling below the Communist country threshold level. This means that between 31,200 and 45,600 applications would be eliminated from OEA's projected workload of 120,000 applications for the current fiscal year. Our estimate may be conservative in that OEA was unable to determine, due to insufficient documentation, whether 33 applications (14 percent of the sample), involved the export of products above or below the Communist country threshold level. The percentage of applications which we were unable to categorize is not surprising considering the historical percentage of applications returned by licensing officers to exporters for additional information and the short time period during which this review was completed. Some of these 33 applications, presumably, were for the export of products falling below the Communist country threshold level. If the proportion of these 33 applications falling below the Communist country threshold level is the same as the rest of the sample, then the 95 percent confidence interval for applications that would be eliminated would be between 30 and 44 percent of all applications.

It should be noted that the COCOM list of controlled items is periodically reviewed and updated. Negotiations are currently in process. Advances in technology are expected to lead to decisions to raise Communist country threshold levels. If this occurs, then the number of applications to be processed by OEA would be reduced even further by eliminating the requirement for applications to non-Communist countries for exports falling below any new Communist country threshold level.

SAMPLE DATA ON APPLICATIONS FOR  
MULTILATERALLY CONTROLLED EXPORTS

In our random sample of 231 applications, 210 ( 91 percent) were for exports to non-Communist countries and 21 ( 9 percent) for exports to Communist countries. Of the non-Communist country applications, 182 were for products controlled multilaterally, i.e., by the United States and the other COCOM members. The other 28 were for products controlled unilaterally by the United States. The breakdown of the 182 applications for the export of

items to non-Communist countries that are subject to multilateral controls if exported to Communist countries was as follows.

--67 applications were for the export of products falling below the Communist country threshold level; i.e., exports identified as eligible for the COCOM administrative exceptions procedure. The export of such goods to Communist countries does not require approval of the other COCOM countries prior to export. Instead, the COCOM-member country makes a report (after the fact) of such goods which have been exported to Communist countries.

--83 applications were for the export of products above the Communist country threshold level. Full COCOM approval would be required to export such goods to Communist countries.

--No (zero) applications were for the export of products identified as falling into a "favorable consideration procedure" category. Under this procedure, notification to COCOM is required prior to exporting such goods, all of which are in the electronic computer and related equipment category. Under COCOM rules, member countries may not object to an export under the favorable consideration procedure unless certain technical or end-use criteria established by COCOM are not met. After a waiting period of 18 days, the exporting country may approve the transaction if no objections have been raised.

There was insufficient information to determine how the other 32 applications in this group should be categorized.

SAMPLE DATA ON APPLICATIONS FOR  
UNILATERALLY CONTROLLED EXPORTS

Of the 28 applications in our random sample which were for the export to non-Communist countries of products unilaterally controlled by the United States, 7 involved equipment that incorporated computer devices that are controlled multilaterally. Therefore, the Communist country threshold level can be applied to these applications. The breakdown for these 7 applications is shown below.

--6 applications were for the export of products incorporating computer devices falling below the Communist country threshold level.

--No (zero) applications were for the export of products incorporating computer devices above the Communist country threshold level.

--No (zero) applications were for the export of products incorporating computer devices identified as falling into the "favorable consideration procedure" category.

There was insufficient information to determine how the other application in this group should be categorized.

The other 21 applications were for exports that did not incorporate products controlled multilaterally. Therefore, there were no Communist country threshold levels applicable to these license applications.

EFFECT OF ELIMINATING SPECIFIC LICENSING REQUIREMENTS

Our estimate that the number of license applications processed by OEA would be reduced by 26 to 38 percent is based on the fact that in our sample the proportion of license applications to non-Communist countries for products falling below the Communist country threshold level was 32 percent, as follows.

--29 percent of all applications received by OEA involved exports to non-Communist countries of multilaterally controlled products falling below the Communist country threshold level.

--0 (zero) percent involved exports to non-Communist countries of multilaterally controlled products falling into the favorable consideration category.

--3 percent involved exports to non-Communist countries of unilaterally controlled products incorporating computer devices falling below the Communist country threshold level.

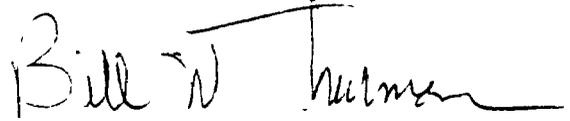
--0 (zero) percent involved exports of unilaterally controlled products incorporating computer devices falling into the favorable consideration category.

We did not obtain official comments on this report from the Department of Commerce because of the informational nature of its content and because of the very short time period in which the work was done. However, OEA officials did review a draft of the report and their comments were considered in preparing the final report.

We performed our review in accordance with generally accepted government audit standards.

As arranged with your office, we plan no further distribution of this report until 30 days from the date it is issued, unless you publicly announce its contents earlier. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

A handwritten signature in black ink that reads "Bill W. Thurman". The signature is written in a cursive style with a long horizontal stroke at the end.

*fc* Frank C. Conahan  
Director

Enclosure

## RANDOM SAMPLE OF APPLICATIONS RECEIVED BY OEA

APRIL 16 - APRIL 27, 1984

Multilaterally-controlled products

	<u>Below Communist country thresh- old level</u>	<u>In favorable consideration category</u>	<u>Above Communist country thresh- old level</u>	<u>Unable to deter- mine</u>	<u>Total</u>
To non-Communist countries:					
COCOM members	20	0	35	15	70
Others	<u>47</u>	<u>0</u>	<u>48</u>	<u>17</u>	112
	<u>67</u>	<u>0</u>	<u>83</u>	<u>32</u>	<u>182</u>
To Communist countries		Analysis not applicable			<u>14</u>
To all countries					196 ====

Unilaterally-controlled products  
incorporating computer devices

	<u>Below Communist country thresh- old level</u>	<u>In favorable consideration category</u>	<u>Above Communist country thresh- old level</u>	<u>Unable to deter- mine</u>	<u>Total</u>
To non-Communist countries:					
COCOM members	1	0	0	0	1
Others	<u>5</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>6</u>
	<u>6</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>7</u>
To Communist countries		Analysis not applicable			<u>4</u>
To all countries					11 ===

Other unilaterally-controlled products

To non-Communist countries:					
COCOM members		Analysis not applicable			2
Others		Analysis not applicable			<u>19</u>
					<u>21</u>
To Communist countries		Analysis not applicable			<u>3</u>
To all countries					24 ===
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TOTAL					231 =====